



federally employed women • an organization for opportunity & equality for women in government  
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TESTIMONY OF FEDERALLY EMPLOYED WOMEN, INC.

BEFORE

THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

ON

DEVELOPMENT OF A SUPPLEMENTAL RETIREMENT SYSTEM FOR  
NEW FEDERAL EMPLOYEES UNDER THE SOCIAL SECURITY SYSTEM

MARCH 13, 1984



TESTIMONY ON THE DEVELOPMENT OF A SUPPLEMENTAL RETIREMENT SYSTEM FOR NEW FEDERAL EMPLOYEES UNDER THE SOCIAL SECURITY SYSTEM BEFORE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE, MARCH 13, 1984.

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CHAIRPERSON FORD, THANK YOU FOR ASKING FEDERALLY EMPLOYED WOMEN TO TESTIFY HERE TODAY. FEDERALLY EMPLOYED WOMEN, INC. (F.E.W.) IS AN INTERNATIONAL MEMBERSHIP ORGANIZATION REPRESENTING WOMEN IN THE FEDERAL GOVERNMENT THROUGHOUT THE UNITED STATES AND FOREIGN NATIONS. F.E.W. WAS FOUNDED IN 1968 TO ADVOCATE EQUAL OPPORTUNITY AND FOSTER FULL POTENTIAL FOR WORKING WOMEN IN THE FEDERAL SECTOR. IT IS A PRIVATE, NON-PROFIT, NON-PARTISAN ORGANIZATION AND ITS CHARTER IS THE SAME AS THAT OF THE FEDERAL WOMEN'S PROGRAM, AN INTERNAL GOVERNMENT PROGRAM ESTABLISHED BY EXECUTIVE ORDER 11375.

THE DEVELOPMENT OF A NEW CIVIL SERVICE RETIREMENT SYSTEM FOR FEDERAL WORKERS HIRED AFTER 1983 WHO NOW CONTRIBUTE TO THE SOCIAL SECURITY SYSTEM IS A CRUCIAL ISSUE THAT MUST BE ADDRESSED. WE APPLAUD THE COMMITTEE'S INITIATIVE IN HOLDING THESE HEARINGS IN A TIMELY MANNER.

WOMEN EMPLOYED IN THE FEDERAL GOVERNMENT HAVE A VITAL INTEREST IN THE DEVELOPMENT OF THE SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM. IN 1983 THERE WERE 950,000 FEDERAL WOMEN WORKERS (OR 35 PERCENT OF THE FEDERAL WORK-  
FORCE). MANY OF THESE WOMEN ENTERED THE FEDERAL WORKPLACE BECAUSE THE FEDERAL GOVERNMENT HAS TRADITIONALLY OFFERED AN ATTRACTIVE PENSION PLAN. CIVIL SERVICE RETIREMENT BENEFITS MUST BE PRESERVED AT THE CURRENT LEVELS AND AN EQUALLY ATTRACTIVE RETIREMENT PACKAGE MUST BE OFFERED TO NEWLY EMPLOYED FEDERAL WOMEN WORKERS. WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT NOT ONLY DESERVE ADEQUATE RETIREMENT INCOME, BUT DEPEND ON THESE BENEFITS IN RETIREMENT

YEARS.

IN 1982 THERE WERE 5999,000 WOMEN WHO RECEIVED A FEDERAL PENSION WITH NO OTHER RETIREMENT PENSIONS AND OF WOMEN OVER AGE 65 343,000 WOMEN RECEIVED ONLY A FEDERAL PENSION AND NO OTHER RETIREMENT PENSIONS. THESE WOMEN ARE OFTEN ALONE IN THEIR RETIREMENT YEARS (DUE TO DIVORCE OR WIDOWHOOD) AND DEPEND ON THEIR FEDERAL PENSION AS THEIR MAIN SOURCE OF RETIREMENT INCOME. 36 PERCENT OF ALL SINGLE ELDERLY WOMEN DEPEND ON THEIR GOVERNMENT PENSION FOR 50 PERCENT OR MORE OF THEIR INCOME. THE MEAN AMOUNT OF A WOMAN'S FEDERAL PENSION IN 1982 WAS \$7,541 PER YEAR AS COMPARED TO \$13,767 FOR MEN. THE MEDIAN TOTAL INCOME FOR RETIRED FEDERAL WOMEN WAS \$11,717 IN 1982. FEDERAL WOMEN RETIREES RECEIVE LOWER ANNUAL ANNUITIES THAN THEIR MALE COUNTER-PARTS IN LARGE PART BECAUSE FEMALE FEDERAL WORKERS ARE CONCENTRATED ON THE LOW PAYING GENERAL SCHEDULE GRADES. 75 PERCENT OF ALL WOMEN EMPLOYED IN THE FEDERAL GOVERNMENT ARE IN GS GRADES 1 THROUGH 8.

OLDER WOMEN ARE THE FASTEST GROWING POVERTY POPULATION IN OUR NATION. FEDERAL WOMEN RETIREES SHARE THE SAME BURDENS IN THEIR RETIREMENT YEARS AS ALL OTHER WOMEN. THERE ARE OVER 9 MILLION NON-MARRIED, ELDERLY WOMEN (WIDOWED, DIVORCED OR NEVER-MARRIED) AS COMPARED TO ONLY 2.3 MILLION NON-MARRIED, ELDERLY MEN. THE GREAT MAJORITY OF THESE WOMEN LIVE ALONE, DEPEND ON THEIR RETIREMENT BENEFITS FOR INCOME AND FIND THAT AN INCREASING SHARE OF THAT INCOME GOES TO PAY MEDICAL BILLS. WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT MUST BE GUARANTEED A DECENT STANDARD OF LIVING IN THEIR RETIREMENT AFTER YEARS OF GOVERNMENT SERVICE.

SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM

AT THIS CONGRESSIONAL HEARING F.E.W. FEELS IT IS ONLY APPROPRIATE TO ADDRESS THE ISSUES CONCERNING THE SUPPLEMENTAL RETIREMENT SYSTEM RATHER THAN THE PRESENT CIVIL SERVICE RETIREMENT SYSTEM (CSRS). THE PRESENT CSRS SHOULD BE KEPT INTACT FOR FEDERAL EMPLOYEES WHO WERE HIRED UNDER THE PRESENT RETIREMENT PLAN. THE SUPPLEMENTAL RETIREMENT SYSTEM FOR NEW FEDERAL EMPLOYEES SHOULD NOT BE A HASTY PROCESS. COMPREHENSIVE STUDIES AND CAREFUL CONSIDERATION MUST BE GIVEN TO THE NEW RETIREMENT PACKAGE FOR THE FEDERAL WORKFORCE. A COMPETITIVE RETIREMENT PLAN SHOULD BE DESIGNED IN ORDER TO ATTRACT HIGHLY QUALIFIED WORKERS TO ENSURE A COMPETENT FEDERAL LABOR FORCE. THE SOCIAL SECURITY SYSTEM AND THE CSRS FUNCTION IN DIFFERENT MANNERS. SOCIAL SECURITY BENEFITS (AN INCOME SECURITY PROGRAM) WERE DESIGNED TO PROVIDE MINIMAL RETIREMENT PROTECTION WHEREAS THE CSRS BENEFITS (A PENSION PLAN) WERE INTENDED TO PROVIDE THE MAJORITY OF INCOME DURING A FEDERAL WORKER'S RETIREMENT. SIMPLY LUMPING THE TWO SYSTEMS TOGETHER IS NOT POSSIBLE AND CAREFUL INTEGRATION OF SOCIAL SECURITY AND CSRS MUST BE STUDIED.

BENEFIT LEVELS

THE PRIMARY CONSIDERATION WHEN DESIGNING THE NEW SUPPLEMENTAL SYSTEM SHOULD BE THE LEVEL OF BENEFITS AFFORDED TO NEW FEDERAL EMPLOYEES. F.E.W. STRONGLY BELIEVES THAT ADEQUATE RETIREMENT PROTECTION MUST BE GIVEN TO ALL FEDERAL RETIREES. THE SUPPLEMENTAL FEDERAL PENSION BENEFIT ADDED TO THE SOCIAL SECURITY BENEFIT MUST EQUAL AT LEAST CURRENT LAW BENEFIT LEVELS. FOR EXAMPLE THE MEDIAN ANNUITY FOR FEDERAL RETIRED WOMEN UNDER THE NEW SYSTEM SHOULD AT LEAST EQUAL THE MEDIAN ANNUITY UNDER THE PRESENT SYSTEM. FEDERAL EMPLOYEES, ESPECIALLY WOMEN, CAN NOT AFFORD LOWER RETIREMENT BENEFIT LEVELS.

COMPARABILITY

FEDERAL RETIREMENT BENEFITS SHOULD BE COMPARABLE TO PRIVATE PENSION PLANS. THE FEDERAL GOVERNMENT HAS BEEN A ROLE MODEL AS FAR AS PROVIDING CERTAIN PROGRAMS FOR EMPLOYEES. THE PRIVATE SECTOR HAS USED THESE EXAMPLES FOR THEIR OWN EMPLOYEES. THE GOVERNMENT'S ROLE MODEL POSITION SHOULD NOT LAPSE WHEN IT COMES TO ESTABLISHING A PENSION PLAN TO SUPPLEMENT SOCIAL SECURITY BENEFITS.

COMPARABILITY ANALYSIS SHOULD CONCENTRATE ON LARGE CORPORATIONS WHO HAVE LABOR FORCES SIMILAR TO THE FEDERAL GOVERNMENT IN ORDER TO RECEIVE ACCURATE DATA. IN ADDITION, IT IS ALSO NECESSARY TO KEEP IN MIND THAT FEDERAL WAGES OFTEN LAG BEHIND PRIVATE SECTOR WAGES (DIRECTLY AFFECTING RETIREMENT BENEFITS) AND THAT FRINGE BENEFITS IN LARGE PRIVATE SECTOR CORPORATIONS ARE OFTEN MORE GENEROUS THAN IN THE PUBLIC SECTOR (I.E., LIFE INSURANCE, HEALTH BENEFITS).

DESIGN OF SUPPLEMENTAL CIVIL SERVICE RETIREMENT SYSTEM

/ THE SOCIAL SECURITY BENEFIT IS INADEQUATE FOR RETIREMENT INCOME. THE AVERAGE SOCIAL SECURITY BENEFIT IN 1982 WAS \$335 PER MONTH FOR RETIRED WOMEN WORKERS. //THE SOCIAL SECURITY BENEFIT SHOULD ACT AS A BASE FOR THE SUPPLEMENTAL SYSTEM TO BUILD UPON. THE SUPPLEMENT SHOULD BRING THE BENEFIT UP TO CURRENT LAW CIVIL SERVICE RETIREMENT BENEFITS. THE BASIC STRUCTURE OF THE CURRENT CSRS SHOULD BE PRESERVED BY ALLOWING FULL BENEFITS AT AGE 55 WITH 30 YEARS OF SERVICE. WOMEN OFTEN CAN NOT DELAY THEIR RETIREMENT DUE TO ILL HEALTH, CARE OF ELDERLY DEPENDENTS, OR A HUSBAND'S RETIREMENT PLANS, YET WOMEN ARE THE ONES WHO DEPEND ON THEIR RETIREMENT INCOME TO SURVIVE. //

F.E.W. ENCOURAGES YOU TO CONTINUE WITH THE DEFINED BENEFIT PLAN RATHER THAN

SWITCH TO A DEFINED CONTRIBUTION PLAN. A DEFINED BENEFIT PLAN TARGETS A SET OF RETIREMENT BENEFITS UNDER SPECIFIED CONDITIONS. THESE SPECIFIC BENEFITS ALLOW WORKERS TO BETTER PLAN FOR THEIR RETIREMENT YEARS. ALSO, A DEFINED BENEFIT PLAN EASES THE ADDITION OF SUPPLEMENTAL BENEFITS (I.E. DISABILITY, SURVIVOR) AND CAN BE RETROACTIVE FOR EMPLOYEES HIRED PRIOR TO THE ENACTMENT OF THE PLAN. THIS LATTER ASPECT IS IMPORTANT BECAUSE THE FEDERAL WORKERS WHO WILL BE UNDER THE SYSTEM ARE CURRENTLY ENTERING THE WORKFORCE. DEFINED CONTRIBUTION PLANS, ON THE OTHER HAND, ARE NOT USUALLY UTILIZED BY LARGE CORPORATIONS, BUT RATHER BY SMALL COMPANIES OR FOR SHORT SERVICE EMPLOYEES. DEFINED CONTRIBUTION PLANS ARE MORE RISKY AND DO NOT ALLOW WORKERS TO ADEQUATELY PLAN FOR THEIR RETIREMENT YEARS.

CIVIL SERVICE RETIREMENT BENEFITS MUST BE PROTECTED FROM THE FLUCTUATIONS IN THE ECONOMY, CHANGING POLITICAL ATMOSPHERES, AND INFLATION. UNDER THE PRESENT SYSTEM FUNDS FROM THE FEDERAL TREASURY ARE SET ASIDE FOR THE RETIREMENT SYSTEM. F.E.W. ENCOURAGES YOU TO SET UP A SYSTEM THAT BETTER SEGREGATES THE THE RETIREMENT FUNDS FROM OTHER TREASURY FUNDS. EACH AGENCY SHOULD BE REQUIRED TO SET ASIDE FUNDS FOR THIS PURPOSE. YEARLY CONGRESSIONAL APPROPRIATIONS TO THE RETIREMENT FUND SHOULD BE ELIMINATED AND REPLACED BY A FUNDING FORMULA. IT IS THE ULTIMATE RESPONSIBILITY OF THE EMPLOYER TO ENSURE THAT RETIREMENT FUNDS ARE SOLVENT.

TO PROTECT RETIREMENT BENEFITS FROM INFLATION A COST-OF-LIVING-ADJUSTMENT (COLA) MUST BE PAID ON A YEARLY BASIS. IF NO COLA PROVISION IS PROVIDED TO FEDERAL RETIREMENT BENEFITS, THE BENEFITS ARE QUICKLY ERODED AWAY AND THE PHILOSOPHY OF REPLACING A PERCENTAGE OF A RETIREE'S SALARY IS LOST. THE MEDIAN REPLACEMENT RATE FOR FEDERAL WOMEN IN 1979 WAS 41 PERCENT (BASED ON THE 3 HIGHEST YEARS OF EARNINGS). ANY REDUCTION IN THIS AMOUNT IS INADEQUATE

TO LIVE ON. FOR EXAMPLE, AFTER 10 YEARS WITH A 4 PERCENT INFLATION RATE, A BENEFIT ONLY HAS TWO-THIRDS OF ITS ORIGINAL PURCHASING POWER. COLAS ARE ESSENTIAL TO CIVIL SERVICE RETIREMENT BENEFITS BECAUSE FEDERAL EMPLOYEES HAVE NO BARGAINING POWER TO RAISE THEIR RETIREMENT BENEFITS NOR ARE THEY PROTECTED UNDER THE ERISA REGULATIONS. MANY PRIVATE SECTOR CORPORATION ARE INCREASING THEIR RETIREMENT BENEFIT AND ADDING COLA PROVISIONS TO THEM TO ENSURE THAT A RETIREE'S PURCHASING POWER KEEPS PACE WITH INFLATION.

// WE CONCLUDE BY EMPHASIZING THAT WHEN DEVELOPING A SUPPLEMENTAL RETIREMENT SYSTEM TO ACCOMPANY SOCIAL SECURITY BENEFITS TO REMEMBER THAT THE FEDERAL GOVERNMENT HAS ALWAYS ACTED AS A LEADER FOR PRIVATE SECTOR EMPLOYMENT. TAKE INITIATIVE AND BE CREATIVE WHEN DESIGNING AN INNOVATIVE RETIREMENT SYSTEM THAT THE PRIVATE SECTOR CAN USE AS A MODEL. WE ALSO REITERATE THAT THIS IS NOT A PROCESS THAT CAN HAPPEN IN A WEEK NOR EVEN IN ONE SESSION OF CONGRESS, BUT A PROCESS THAT REQUIRES MUCH STUDY AND THOUGHT SO A FAIR AND REASONABLE RETIREMENT SYSTEM IS AVAILABLE TO ALL NEW FEDERAL EMPLOYEES. IF THE FEDERAL GOVERNMENT OFFERS A GOOD RETIREMENT PLAN, IT WILL CONTINUE TO ATTRACT A HIGHLY QUALIFIED WORKFORCE. IF THE FEDERAL GOVERNMENT REDUCES RETIREMENT BENEFITS, GOVERNMENT MORALE WILL SUFFER. A GOOD RETIREMENT SYSTEM ENCOURAGES GOVERNMENT EMPLOYEES TO HAVE A LIFE CAREER WITH THE FEDERAL GOVERNMENT AND ESTABLISHES A STABLE AND <sup>EFFECTIVE</sup> EFFICIENT WORKFORCE. F.E.W. URGES YOU TO BEGIN IMMEDIATELY TO DEVELOP A SYSTEM THAT TAKES THE TRADITIONAL GOALS AND AWARDS OF GOVERNMENT SERVICE INTO ACCOUNT AND PRODUCE A RETIREMENT SYSTEM THAT IS FAIR AND EQUITABLE TO EVERYONE. //

THANK YOU CHAIRPERSON FORD FOR THE OPPORTUNITY FOR F.E.W. TO TESTIFY HERE TODAY. WE WOULD BE HAPPY TO ADDRESS ANY FURTHER QUESTIONS THE COMMITTEE HAS.